

# KKR & Co. Inc.

Credit Overview: November 17, 2020

# KKR Credit Overview



**\$234 billion**

Total KKR Firm AUM

**KKR Credit AUM**  
**\$75 billion**

~ **130** professionals across  
**9** cities in **7** countries

## Leveraged Credit

**\$43.7bn**

Leveraged Loans  
High Yield Bonds  
Multi-Asset Class Credit  
Opportunistic Credit  
CLOs

## Private Credit

**\$22.8bn**

Direct Lending  
Asset-Based Finance  
Subordinated Debt

## Dislocation Opportunities

**\$8.1bn**

Deep Value  
Capital Solutions  
Dislocation Opportunities

Note: All information as of September 30, 2020 unless otherwise noted. Credit AUM displayed on a strategies basis rather than a vehicle structure basis.

**KKR**

# Private Asset-Based Finance (“ABF”) Strategy

**A key focus of KKR’s Private Credit platform is ABF, which seeks privately originated and negotiated transactions in underserved and mispriced asset classes**

## Strategy Overview

- Investments in directly originated assets that derive returns from recurring, often contractual cash flows
- We build our investment strategy around broad themes in four market segments: (i) Consumer / Mortgage Finance, (ii) Hard Assets, (iii) Small-Medium Enterprises (SME), and (iv) Contractual Cash Flows
- Invest through direct investment structures (direct portfolio / asset acquisitions or via platform investments) with the goal of optimizing an identified opportunity or asset class

## Opportunity Set

- Estimated ~\$4.5 trillion ABF addressable market
- Global bank retrenchment and deleveraging post 2008 financial crisis, expanded in the wake of COVID-19
- Technology and data science fueling industry transformation
- Institutional and long-term private funding enables non-bank lenders to compete with banks
- Attractive competitive landscape for established non-bank lenders to consolidate market share
- We believe the opportunity set has the potential to provide enhanced risk-adjusted returns as a result of COVID-19 and related dislocation

## KKR Advantage

- Recent track record: ABF investments have generated a 13.3% Gross IRR and 1.23x MoM as of September 30, 2020
- Established team overseeing leading global ABF platform, translating into a significant forward pipeline of opportunities from existing platform deals
- Flexible mandate with ability to adapt as market opportunity evolves
- Proprietary and thematically focused origination

# Dislocation Opportunities Strategy

**The KKR Dislocation Opportunities strategy seeks to invest in a select portfolio of dislocated opportunities across the public and private credit spectrum**

## Strategy Overview

- The strategy seeks to make investments with downside protection and targets mid-teens IRRs
- Generates unique deal flow and enables speed of execution in a volatile market while maintaining rigorous diligence
- KKR raised ~\$3bn in ~8 weeks during April and May 2020 for the flagship fund and has raised over \$1bn in separately managed and other accounts alongside the fund
- Strategy off to a strong start. As of September 30, 2020, ~50% of capital invested or committed with gross returns in excess of 35% on an unannualized basis

## Opportunity Set

- Investments in high-quality companies (via Corporate, Asset-Based Finance and Real Estate credit) that have been dislocated due to market technicals or that require financing to bridge operations through periods of volatility
- Can move quickly and efficiently in moments of dislocation with investment, trading and portfolio monitoring professionals globally, actively following a universe of over 1,000 credits

## KKR Advantage

- Deep rooted network of advisors and former KKR employees who have held / hold leading executive roles (e.g. CEO, COO, etcetera) and board positions in major global corporations
- Companies seeking financing want an investor with KKR's reputation and operational expertise to navigate these challenging periods
- ~560 investment and capital markets professionals across 20 offices globally, who actively contribute to idea generation

# BDC Strategy – FSK and FSKR

- **Attractive portfolios trading at a discount with 9%+ yield on NAV or 14%+ yield on market price**
- **Strong Q3 performance: NAV growth (FSK 4.7%, FSKR 1.8%), growing NII dividend coverage (FSK 1.05x, FSKR .95x) and attractive capital structure with >\$1.5bn in available capital at each BDC**

## Platform Highlights

- \$15bn of assets in FS KKR BDC platform
- Ability to make individual investments up to \$1bn
- Direct access to full KKR investment network
- Cumulative KKR Credit Commitments of approximately \$33bn<sup>(1)</sup>
- Below average loss rate of 0.74%<sup>(2)</sup>

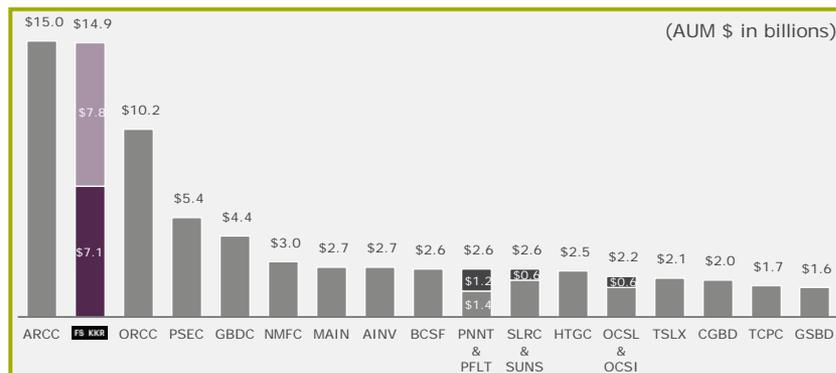
## Strong Portfolio Construction

- Diverse portfolios
  - Portfolio company concentration
  - No industry concentrations
- Senior secured focused
- Lead lender in >95% of total deals<sup>(4)</sup>
- Strong liquidity and capital structures

## Good Trading Entry Point<sup>(3)</sup>

	Price / Book	Total Assets (\$bn)	Dividend Yield
Ares	.94x	15.0	10.3%
Owl Rock	.93x	10.2	10.6%
<b>FSKR</b>	<b>.62x</b>	<b>7.8</b>	<b>14.4%</b>
<b>FSK</b>	<b>.67x</b>	<b>7.1</b>	<b>16.5%</b>
Golub	.98x	4.4	10.1%

## Scaled Platform



Note: All information as of September 30, 2020 unless otherwise indicated. FS KKR Capital Corp. (NYSE: FSK) and FS KKR Capital Corp. II (NYSE: FSKR) are publicly traded business development companies (BDCs) that are advised by FS/KKR Advisor, LLC, which is an investment adviser jointly owned by KKR and Franklin Square Holdings, L.P.

- (1) Gross dollars invested inclusive of new transactions, follow-ons, and delayed draws and represents the aggregate amount of capital that has been invested by all of KKR Credit's investment vehicles in private credit strategies and is used as a measure of investment activity for KKR Credit in a given period.
- (2) Loss rate is Default Rate Recovery. KKR total recovery calculated as local currency cash on cash for both i) life of defaulted investment plus ii) any defensive investments made after default; for 2011–3Q'20; number includes interest, fees, principal proceeds, and related expenses. Default is constant default rate for 2011–3Q'20.
- (3) Bloomberg as of November 13, 2020.
- (4) Figure based on count of Direct Origination investments only. KKR & BDC accounts' participation, KKR Capital Markets' involvement, and deal teams leading the negotiations / structuring are all considered when determining the Origination Role.

# Legal Disclosures

---

This presentation is prepared for KKR & Co. Inc. (NYSE: KKR) for the benefit of its public stockholders. This presentation is solely for informational purposes in connection with evaluating the business, operations and financial results of KKR & Co. Inc. and its subsidiaries (collectively, "KKR"). Any discussion of specific KKR entities is provided solely to demonstrate such entities' role within the KKR organization and their contributions to the business, operations and financial results of KKR & Co. Inc. This presentation is not and shall not be construed as an offer to purchase or sell, or the solicitation of an offer to purchase or sell, any securities, any investment funds, vehicles or accounts, any investment advice, or any other service by any KKR entities, including Kohlberg Kravis Roberts & Co. L.P., KKR Credit Advisors (US) LLC, KKR Credit Advisors (Ireland), KKR Credit Advisors (Singapore) Pte. Ltd., FS/KKR Advisor, LLC or KKR Capital Markets LLC. Nothing in this presentation constitutes the provision of any tax, accounting, financial, investment, regulatory, legal or other advice by KKR or its advisors.

This presentation may not be referenced, quoted or linked by website, in whole or in part, except as agreed to in writing by KKR & Co. Inc.

This presentation contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, pertaining to KKR and certain investment funds, vehicles and accounts that are managed by KKR (each, a "fund"). Forward-looking statements may be identified by use of words such as "plans," "expects," "will," "anticipates," "believes," "intends," "projects," "estimates" or other words of similar meaning, and relate to expectations, estimates, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts, including but not limited to the statements with respect to: the declaration and payment of dividends in future quarters; the timing, manner and volume of repurchase of common stock pursuant to its repurchase program; the transaction to acquire all outstanding shares of Global Atlantic Financial Group Limited ("Global Atlantic"); operation of Global Atlantic following the closing of the transaction; expansion and growth opportunities and other synergies resulting from the transaction; the transaction's effects on KKR's AUM, FPAUM, book value, fee related earnings and after-tax distributable earnings and the timing of such effects; the availability of cash on hand or liquidity from KKR's investment portfolio to fund the transaction; and expected timing of closing of the acquisition. The forward-looking statements are based on KKR's beliefs, assumptions and expectations, taking into account all information currently available to it. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to KKR or are within its control. If a change occurs, KKR's business, financial condition, liquidity and results of operations, including but not limited to dividends, tax assets, tax liabilities, AUM, FPAUM, after-tax distributable earnings, capital invested, syndicated capital, uncalled commitments, cash and short-term investments, fee related earnings, adjusted EBITDA, core interest expense and book value, debt levels, outstanding shares of common stock and capital structure may vary materially from those expressed in the forward-looking statements. The following factors, among others, could cause actual results to vary from the forward-looking statements: failure to realize the anticipated benefits within the expected timeframes from the planned acquisition of Global Atlantic; unforeseen liabilities or integration and other costs of the Global Atlantic acquisition and timing related thereto; availability and cost of financing to fund the acquisition; ability to syndicate to potential co-investors; changes in Global Atlantic's business; any delays or difficulties in receiving regulatory approvals; failure to complete the Global Atlantic transaction; distraction of management or other diversion of resources within each company caused by the Global Atlantic transaction; retention of key Global Atlantic employees; Global Atlantic's ability to maintain business relationships during the pendency of and following the acquisition; the severity and duration of the COVID-19 pandemic; the pandemic's impact on the U.S. and global economies; federal, state and local governmental responses to the pandemic; whether KKR realizes all or any of the anticipated benefits from converting to a corporation and the timing of realizing such benefits; whether there are increased or unforeseen costs associated with the conversion, including any adverse change in tax law; the volatility of the capital markets; failure to realize the benefits of or changes in KKR's or Global Atlantic's business strategies including the ability to realize the anticipated synergies from acquisitions, strategic partnerships or other transactions; availability, terms and deployment of capital; availability of qualified personnel and expense of recruiting and retaining such personnel; changes in the asset management or insurance industry, interest rates, credit spreads, currency exchange rates or the general economy; underperformance of KKR's or Global Atlantic's investments and decreased ability to raise funds; changes in Global Atlantic policyholders' behavior; any disruption in servicing Global Atlantic's insurance policies; the use of estimates and risk management in Global Atlantic's business; outcome of Global Atlantic's litigation and regulatory matters; and the degree and nature of KKR's and Global Atlantic's competition. All forward-looking statements speak only as of the date hereof. KKR does not undertake any obligation to update any forward-looking statements to reflect circumstances or events that occur after the date on which such statements were made except as required by law. In addition, KKR's business strategy is focused on the long term and financial results are subject to significant volatility.

## Legal Disclosures (cont'd)

---

Additional information about factors affecting KKR, including a description of risks that may be important to a decision to purchase or sell any common or preferred stock of KKR & Co. Inc., can be found in KKR & Co. Inc.'s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and its other filings with the SEC, which are available at [www.sec.gov](http://www.sec.gov). For information about FSK and FSKR, including description of risks and other factors affecting these BDCs and cautionary statements regarding forward-looking statements, see their respective filings with the SEC.

The statements contained in this presentation are made as of November 16, 2020, unless another time is specified in relation to them, and access to this presentation at any given time shall not give rise to any implication that there has been no change in the facts set forth in this presentation since that date. All financial information in this presentation is as of September 30, 2020 unless otherwise indicated. Certain information presented in this presentation have been developed internally or obtained from sources believed to be reliable; however, KKR does not give any representation or warranty as to the accuracy, adequacy, timeliness or completeness of such information, and assumes no responsibility for independent verification of such information.

Past performance is not indicative or a guarantee of future performance.